

## Message Text

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51

ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 AID-20 CIAE-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 SS-20 STR-08

CEA-02 DODE-00 PA-04 USIA-15 PRS-01 SCEM-02 INT-08

SCI-06 L-03 H-03 ABF-01 NEA-10 DRC-01 /207 W

----- 034271

R 071033Z JAN 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 6825

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USDOC WASHDC

UNCLAS LONDON 00180

DEPARTMENT PASS TREASURY AND FRB

E.O. 11652:N/A

TAGS: ECON, UK

SUBJECT: BANK OF ENGLAND REDUCES MINIMUM LENDING RATE

REF: LONDON 00164

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1. ON JANUARY 4, THE BANK OF ENGLAND'S MINIMUM LENDING

RATE (MLR) WAS REDUCED BY 25 BASIS POINTS, TO 12.75 PERCENT. THE REDUCTION WAS AUTOMATIC IN THAT THE MLR IS TIED TO A MATHEMATICAL FORMULA BASED ON THE RATE ESTABLISHED BY THE TREASURY BILL TENDER HELD ON THE SAME DAY. MARKET OPERATORS SAY NO PARTICULAR SIGNIFICANCE SHOULD BE ATTACHED TO THE REDUCTION, WHICH IS THE SMALLEST THAT CAN BE MADE UNDER THE FORMULA. (FORMULA TAKES THE TREASURY BILL AVERAGE TENDER, ADDS 50 BASIS POINTS, AND ROUNDS UP TO NEAREST QUARTER.) REDUCTION DOES REFLECT SLIGHTLY THE EASING OF INTERNATIONAL RATES AND ALSO TECHNICAL FACTORS IN UK TREASURY BILL MARKET, INCLUDING RELATIVELY SMALL SIZE OF TENDER OFFERS (I.E., THERE IS MARKET EXPECTATION OF SOME SHORTAGE OF BILLS IN COMING MONTHS). BECAUSE OF NEED TO DEFEND STERLING, THERE IS NO EXPECTATION OF ANY SUBSTANTIAL REDUCTION IN UK RATES THAT WOULD BE OUT OF LINE WITH INTERNATIONAL RATES.

2. REDUCTION CAME AS A SURPRISE TO SOME, INCLUDING OFFICIALS IN BANK OF ENGLAND DISCOUNT OFFICE WHO INCORRECTLY TOLD EMBASSY THAT RATE REMAINED AT 13 PERCENT, RATHER THAN REDUCED TO 12.75 PERCENT, PLEASE CORRECT PARA 9, REFTEL.

SOHM

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** STERLING (CURRENCY), BANK RATES, BANK LOANS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 07 JAN 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974LONDON00180  
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**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** n/a  
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**Office:** ACTION EUR  
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**Original Handling Restrictions:** n/a  
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**Page Count:** 2  
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**Previous Handling Restrictions:** n/a  
**Reference:** LONDON 00164  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** WorrelSW  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 01 OCT 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <01 OCT 2002 by kellew0>; APPROVED <18-Nov-2002 by WorrelSW>  
**Review Markings:**

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EO Systematic Review  
30 JUN 2005

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**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** BANK OF ENGLAND REDUCES MINIMUM LENDING RATE  
**TAGS:** ECON, UK  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005